

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 NSCE-00
PM-05 SP-02 SS-15 SSO-00 INRE-00 H-01 /059 W
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FM AMEMBASSY ROME
TO SECSTATE WASHDC IMMEDIATE 4778

C O N F I D E N T I A L SECTION 1 OF 2 ROME 14597

C O R R E C T E D C O P Y TEXT PARA 3

EO 11652: GDS
TAGS: EAIR, IT
SUBJ: GOI THREAT TO PAN AM FLIGHTS BEYOND ROME

REF: (A) WHITING/STYLES TELECON 8/8/78; (B) STATE 101992;
(C) ROME 6733; (D) ROME 14379

SUMMARY. DISCUSSIONS WITH PAN AM ROME INDICATED THAT PAN AM HAD NOT BEEN CALCULATING CAPACITY USE ON BEYOND ROME SECTORS WITH RESPECT TO ANY PARTICULAR FREEZE LEVEL CALCULATION; IT HAS NOW BEGUN TO DO SO. IN MAKING THIS CALCULATION, EMBASSY RAISES QUESTION WHETHER TRANSIT PASSENGERS CARRIED IN 1977 SHOULD BE SUBTRACTED FROM CAPACITY OFFERED IN 1977, PARTICULARLY SINCE GOI DOES NOT AGREE WITH US THAT FIFTH FREEDOM TRAFFIC EXCLUDES TRANSIT PASSENGERS ON BEYOND ROME SECTORS. EMBASSY VIEWS AS POSSIBLE COMPROMISE U.S. ACCEPTANCE OF FLIGHT-BY-FLIGHT CAPACITY FREEZE, AS TACITLY AGREED TO BY TWA DURING WINTER SEASON, PROVIDED THAT GOI ACCEPTS OUR FIFTH FREEDOM DEFINITION. EVEN THAT, HOWEVER, WOULD REQUIRE PAN AM TO CANCEL SOME BOOKINGS. IN ANY CASE, AUGUST 15 DEADLINE FOR CONTINUATION OF STATUS QUO IS COMPOUNDED BY RAPIDLY-INCREASING VACATION EXODUS OF GOI OFFICIALS. EMBASSY RECOMMENDS HIGH-LEVEL APPROACHES
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IN WASHINGTON AND ROME. END SUMMARY.

1. EMBOFF REVIEWED SITUATION IN GENERAL WITH PAN AM MANAGER ON AUGUST 7 AND 8 AND ASKED SPECIFICALLY WHETHER HE HAD CALCULATED A CAPACITY FREEZE LEVEL FOR PAN AM BEYOND ROME FLIGHTS IN 1977 SUMMER SEASON, IF SO WHAT BASIS HE USED AND HOW CAPACITY OFFERED OR SOLD ON BEYOND FLIGHTS IN 1978

COMPARED TO CALCULATED FREEZE LEVEL. PAN AM MANAGER (PLEASE PROTECT THROUGHOUT) SAID HE DID NOT HAVE CALCULATIONS ON ANY BASIS BUT COULD CHECK PROMPTLY WITH PAN AM HEAD OFFICE ON QUESTION.

2. EMBOFF THEN WENT OVER LANGUAGE USED IN EMBASSY' LAST NOTE ON GOI ACCEPTANCE OF 1978 SUMMER SCHEDULE WITH FREEZE PROVISION (PARA 1 OF REF (B)) AND UNDERSTANDING DEPARTMENT HAD WITH PAN AM (PARA 2 OF REF (B)). EMBOFF SUGGESTED THAT PAN AM KEEP TRACK OF CAPACITY FREEZE SITUATION ON SEVERAL DIFFERENT BASES. EMBOFF GAVE HIS PERSONAL VIEW THAT PARA 2 OF REF (B) APPEARED TO MEAN THAT PAN AM SHOULD CALCULATE TOTAL CAPACITY OFFERED ON PAN AM FLIGHTS BETWEEN APRIL 1 AND OCTOBER 31, 1977 AND THEN SUBTRACT TOTAL TRANSIT PASSENGERS DURING THAT PERIOD TO DETERMINE CAPACITY OFFERED TO FIFTH FREEDOM MARKET. EMBOFF OBSERVED THAT IF U.S. USES TOTAL BOEING 707 CAPACITY WITH NO DEDUCTION FOR TRANSIT PASSENGERS AS FREEZE LEVEL IN FUTURE DISCUSSION WITH GOI, LATTER MAY AT SOME POINT CHARGE US WITH BEING INCONSISTENT ON ISSUE OF WHETHER TRANSIT PASSENGERS SHOULD BE COUNTED AS FIFTH FREEDOM TRAFFIC ON BEYOND ROME SECTORS. DESPITE LOGIC OF THE FOREGOING, WE RECOGNIZE U.S. MAY NOT WISH TO REFER TO THIS CAPACITY LEVEL CALCULATION IN DISCUSSIONS WITH GOI, AT LEAST AT THIS STAGE, AS IT MIGHT RESULT IN A LOWER EFFECTIVE FREEZE LEVEL.

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3. PAN AM MANAGER ACCEPTED POINT AND AGREED TO RECOMMEND DEVELOPMENT OF DATA ON SEVERAL DIFFERENT BASES. IN LATER DISCUSSION HE SAID HAD TALKED MATTERS OVER WITH MICHAELSON (PAN AM WASHINGTON) AND WAS NOW PROCEEDING TO DEVELOP DATA AS RAPIDLY AS POSSIBLE, ALTHOUGH HE INDICATED HE EXPECTED CONSIDERABLE DIFFICULTY IN OBTAINING SOME OF IT. HE SIAD DATA COLLECTED THUS FAR INDICATED THAT IN APRIL-JUNE 1978 PERIOD CAPACITY USED (INCLUDING TRANSITS) ON BEYOND ROME SECTORS AVERAGE ABOUT 70 PERCENT OF 185 SEAT BOEING 707 (NOTE THAT GOI HAS ACCEPTED 180 SEAT CONFIGURATION AS BEING REPRESENTATIVE FOR 1977 SEASON) BUT INCREASE OF 112.5 PERCENT IN JULY. PARTIAL DATA FOR AUGUST INDICATED THAT FIFTH FREEDOM TRAFFIC ALONE WILL BE WELL IN EXCESS OF 185 SEATS. HE ESTIMATED THAT IF GOI MAINTAINS ITS POSTION AND CONTRAINS PAN AM AT 180 SEAT LEVEL (INCLUDING TANSITS), PAN AM WOULD HAVE TO DISEMBARK ABOUT 200 PASSENGERS FROM EACH FLIGHT. EVEN IF TRANSIT PASSENGERS WERE EXCLUDED FROM 180-SEAT CAPACITY PERMITTED BY GOI, PAN AM WOULD STILL NOT BE ABLE TO CARRY SOME PASSENGERS ALREADY BOOKED ON BEYOND ROME SECTORS ON SEVERAL DAYS IN COMING WEEKS. IN VIEW OF THIS FRIGHTENING POSSIBILITY PAN AM WAS DISCREETLY ASKING OTHER AIRLINES (NOT ALITALIA) ABOUT ASpace THEY MAY

HAVE AVAILABLE TO TAKE THEN OFF-LOAD.

4. COMMENT AND RECOMMENDATIONS.

(A) IT IS CLEAR THAT PAN AM IS AMOST RELUCTANT TO FACE THE POSSIBILITY OF HAVING TO GIVE UP SOME OF ITS BOOMING TRAFFIC. NEVERTHELESS, OUR LAST NOTE VERBALE ON THE SUMMER SCHEDULE AND THE FREEZE (BASED ON REF (B)), THOUGH SOMEWHAT AMBIGUOUSLY WORDED, SEEMS TO INDICATE U.S. ACCEPTANCE OF GOI POSITION AS EXPRESSED IN MFA NOTE 079/6064 (REF (C)) THAT "USABLE CAPACITY ON SAID FIFTH FREEDOM SECTORS IS LIMITED TO THE SAME LEVELS AS OPERATED IN THE 1977 SUMMER SEASON, THAT IS, TO THE CAPACITY OF THE B 707 AIRCRAFT USED DURING THE SUMMER OF 1977." IN ANY CASE PAN AM HAS BEEN DEALING WITH GOI FOR SOME TIME NOW ON BASIS THAT 707 CAPACITY LIMIT DOES APPLY. CONFIDENTIAL

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THEREFORE, WE BELIEVE WE WOULD BE ON WEKA GROUNDS IF WE WERE TO REVERT OT ARGUMENT THAT BOING 747 CAPACITY AS ORIGINALLY FILED FOR 1977 SUMMER SEASON IS RELEVANT CAPACITY LEVEL FOR FREEZE IN 1978.

(B) GOI APPARENTLY BELIEVES IT IS IN STRONG POSITION ON QUESTION OF CONTROLLING CAPACITY ON EACH FLIGHT RATHER THAN FOR ENTIRE SEASON--NOT ONLY IN VIEW OF PRECEDENT SET BY TWA ON MILAN ROUTE DURING WINTER SEASON BUT ALSO AS MORE LOGICAL METHOD OF FREEZING (I.E. CONSTANT LEVEL DIRECTLY RELATED TO CAPACITY OFFERED IN 1977, WHEN, FOR EXAMPLE, THERE WOULD HAVE BEEN NO POSSIBILITY FOR PAN AM TO HAVE CARRIED MORE THAN 180-185 PASSENGERS ON ANY PARTICULAR DAY) AND MORE ADMINISTRATIVELY FEASIBLE METHOD (PARTICULARLY IN ABSENCE ANY INDICATION BY PAN AM ON US. OF HOW WE PLANNED TO CONTROL CAPACITY AND NOT FACE GOI WITH POSSIBILITY THAT WE WILL EXCEED EVEN CAPACITY ON SEASONAL BASIS).

(C). IN VIEW OF FOREGOING, WE SUGGEST DEPARTMENT CONSIDER POSSIBILITY OF OFFERING TO ACCEPT GOI POSITION ON CAPACITY CONTROL ON EACH FLIGHT IN EXCHANGE FOR GOI ACCEPTANCE OF U.S. DEFINITION OF FIFTH FREEDOM TRAFFIC OR "FIFTH FREEDOM SECTORS".

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INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 4779

C O N F I D E N T I A L SECTION 2 OF 2 ROME 14597

(D) WHATEVER, DEPARTMENT DECIDES, EMBASSY STRONGLY RECOMMENDS
THAT HIGH LEVEL APPROACH BE MADE URGENTLY IN WASHINGTON TO
ITALIAN EMBASSY AS WELL AS BY EMBASSY TO MFA IN VIEW OF
GOI THREAT TO ENFORCE FLIGHT-BY-FLIGHT CAPACITY CONTROL
BEGINNING ON AUGUST 15 OR 16 (REF (D)) AND OF ALMOST
COMPLETE ABSENCE OF HIGH LEVEL ITALIAN OFFICIALS DUE TO
AUGUST VACATION PERIOD. FEW OFFICIALS WILL BE AVAILABLE
AFTER AUGUST 11 IN ANTICIPATION OF AUGUST 15 HOLIDAY. HOLMES

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Message Attributes

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